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STATE FOR WHA/BSC, WHA/EPSC, EEB/ODF MONAHAN/SIEMER, IO/EDA BALLARD
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SUBJECT: BRAZIL: UN Conference on Development Impact of Crisis

REF: STATE 507892

¶1. (SBU) Summary: GOB interlocutors agree the current outcome document drafted by the President of the UN General Assembly (PGA) is not a helpful way forward in a discussion of the impact of the global crisis on the developing world. Brazil wants a consensus-based document that complements and reinforces the G20 and other relevant processes such as the IMF/World Bank, rather than one that conflicts with these mechanisms or that establishes new UN bodies. The GOB approach will be to continue to work within the G77 and directly with the PGA, in hopes of steering the process in a more constructive direction, rather than by openly objecting to the outcome document. As of 5/22, the head of the Brazilian delegation to the June 1-3 conference will be G20 Sherpa Ambassador Pedro Mendonca, Ministry of External Relations (MRE) Undersecretary for Economic Affairs. END SUMMARY

¶2. (SBU) Commenting on the version of the outcome document cited in reftel, Alvaro Vereda, Assistant Secretary for Financial Organizations at the Finance Ministry indicated that the Finance Ministry had provided the Ministry of External Relations (MRE) comments cleared by Finance Minister Mantega on May 20. These comments were: 1) the outcome document is not forward looking and inserts the UN into processes GOB wants to keep in the G20; 2) the document proposes a "charter" that UNGA members could never reach agreement on and that would not be feasible or effective forum whereas G20, IMF etc are appropriate; 3) markets would not take seriously this "idealistic" and "academic" exercise. Vereda emphasized that Finance does not want to weaken the G20 process or move the UN to center stage.

¶3. (SBU) Luis Balduino, Assistant Secretary for Finance and Services at MRE confirmed that his Ministry is also concerned and agrees the G20 process needs to remain on-track and any mandate for the UN to assume that role must be avoided. Vereda noted GOB does not want a "friendly fire forum." Both Balduino and Vereda indicated, however, that GOB would not say openly/publicly that GOB does not support the outcome document, due to the need to manage intra-G77 sensitivities. GOB is instead engaging within the G77 and directly with the PGA. According to Balduino, in G77 consultations, GOB has underlined it wants a consensus document, that Monterrey had been a turning point and the UN needs to continue to maintain credibility through a consensus approach. Balduino called the process "delicate," noting that Brazil understands some developing countries are distressed and angry at the impact of the crisis on their economies and do not have another forum to express their views. At the same time, GOB does not want the conference to focus on blaming other countries or creating new conflicting mechanisms. The most helpful outcome, in GOB view, would be an document that echoes and affirms support for G20 outcomes (though Balduino thought that some G77 members would be unlikely to agree to specifically mention the G20, he thought G20 themes like supporting IMF reform, acknowledging the importance of access to trade financing, etc, were possible for the G77 to support). He added that if USG emphasizes that it supports not only

aid/assistance but also reform, this helps make clear to the G77 that developed countries are not resisting reform, but rather want that reform to take place in the appropriate forum.

¶4. (SBU) Balduino stated GOB has been emphasizing to the PGA that this conference is an important opportunity for the UN to "show it can be useful," and that PGA risks squandering that opportunity through his divisive approach and attempts to put himself personally center-stage in managing the global response to the crisis. He said PGA is beginning to understand, in that the latest version of the outcome document (version MRE had as of evening of 5/21) was somewhat improved "up to paragraph 40 or so," although the actual concrete proposals remain "the main problem," citing as examples the nine ministerials the PGA proposes to chair, the establishment of a Economic Council that GOB believes would complicate UNSC reform and would in any case bog down in arguments over who should be members, and tasking the UN to identify trade barriers, which is an issue for the WTO, not the UN.

¶5. (SBU) Initially, President Lula had intended to attend this conference. Both Finance and MRE confirmed that neither he nor their Ministers will attend. As of 5/22, GOB planned to send MRE U/S for Economic Affairs Pedro Mendonca, Brazil's G20 Sherpa, to head the delegation. This choice is intended as a GOB "signal" that Brazil considers the G20 to be the forum with the lead on response to the global economic crisis and its impact. GOB is interested in who will lead the USG delegation.

¶6. (SBU) Comment: While Brazil had strongly supported the idea of this conference initially, GOB is not happy with the process unfolding. GOB's main concern, repeatedly expressed, is that the conference should in no way undermine the G20 process, which GOB

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believes is the most effective forum to ensure credible, feasible results in addressing the global economic crisis. GOB supports a forum where developing countries can explain the impact of the crisis on their economies and that reinforces support for reforms and responses taking place in other, more appropriate, fora. End Comment.

KUBISKE